

Message Text

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12

ACTION EB-11

INFO OCT-01 EA-11 ADP-00 STR-08 COME-00 JUSE-00 TRSE-00

FTC-01 OMB-01 L-03 H-02 CIAE-00 INR-09 NSAE-00 RSC-01

AGR-20 RSR-01 /069 W

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R 200640 Z MAR 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3900

INFO AMCONSUL HONG KONG

AMEMBASSY TOKYO

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

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E. O. 11652; ADS, DECLAS 3-19-75

TAGS: ETRD, EAGR, XE, RP

SUBJECT: HARDWOOD EXPORTS TO U. S.

REFS: A) STATE 42089

B) MANILA 3497, C) TOKYO 3070

1. REP OF U. S. TIMBER COMPANY HAS PROVIDED VIEWS ON LOG PRICES WHICH, THOUGH NOT INCONSISTENT WITH REFTEL B AND OTHER MESSAGES, VIEWS PRICES FROM STRIKINGLY DIFFERENT PERSPECTIVE. WEYERHAEUSER OFFICIAL STATES THAT BECAUSE OF LOCK WHICH JAPANESE BUYERS HADVE HAD ON SMALL TIMBER PRODUCERS THROUGH CREDIT AND MARKETING FACILITIES, ASIAN LOG PRICES HAVE BEEN KEPT ARTIFICIALLY BELOW PRICE WHICH THEY WOULD COMMAND ON FREE MARKET. WHEN U. S. AND JAPANESE BUILDING BOOM COINCIDED WITH SUPPLY CONSTRICTIONS IN PRODUCING COUNTRIES, SITUATION GOT AWAY FROM JAPANESE GUYERS, WHO BEGAN BIDDING AGAINST EACH OTHER. EVEN NOW, HOWEVER, PRICE ACCORDING TO WEYERHAEUSER CALCULATIONS

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IS \$20 PER CUBIC METER BELOW TRUE VALUE OF LOGS IF MEASURED AGAINST PREVAILING PRICES ON U. S. WEST COAST. WEYERHAEUSER, WHICH IS FACING SECURITY PROBLEMS ON ITS INDONESIAN CONCESSION, CLAIMS IT CANNOT AFFORD RESUMPTION MONOPOLISTIC JAPANESE POSITION AND STATES IT WILL IN FUTURE SIMPLY REFUSE TO SELL AT PRICE BELOW CURRENT LEVEL OF \$55-60 PER CUBIC METER.

2. CURTAILMENT OF AFRICAN LOG EXPORTS TO EUROPE CITED REFTEL C HAS ALSO INCREASED DEMAND FOR PHILIPPINE LOGS. NEW EUROPEAN BUYERS HAVE REPORTEDLY ENTERED PHILIPPINE MARKET, ALTHOUGH ACCORDING ONE PRODUCER THEY GENERALLY UNWILLING MATCH PRICES BEING OFFERED BY JAPANESE.

3. EMBASSY UNCLEAR FROM PARA 1. G. REFTEL A WHETHER PHILIPPINE SUPPLIER DUTNAN LOGS HAS DEFAULTED ON CONTRACT WITH U. S. BUYER OR NOT. DUTNAN LOGS PRODUCES LOGS, WHICH ACCORDING TO A COMPANY VICE- PRESIDENT IT DOES NOT SELL IN U. S., AND BENEER, WHICH IT WAS PRODUCING IN PLANT IN COTABATO PROVINCE. COMPANY STATES THAT ALTHOUGH PRICE OF ITS LOGS HAS INCREASED BY 150 PERCENT SINCE SEPTEMBER, PRICE OF VENEER HAS INCREASED BY ONLY ABOUT 11 PERCENT, AND IT HAS THEREFORE CLOSED ITS VENEER PLANT. VENEER PLANT WAS ALSO RECENTLY UNDER SEIGE FOR ONE WEEK BY MUSLIM INSURGENTS AND CUT OFF FROM ALL BUT RADIO AND HELICOPTER CONTACT; ALTHOUGH SEIGE LIFTED, LOGGING FROM SURROUNDING CONCESSION STILL SUSPENDED AND COMPANY UNABLE SUPPLY AT LEAST ONE ORDER DUE FOR SHIPMENT LAST WEEK.

4. WITH RESPECT TO PARA 2. C. REFTEL A, BUREAU OF FOREST DEVELOPMENT OFFICIALS REPORT THAT CENTRAL BANK HAS BEEN QUESTIONING SHIPMENTS OF LOGS AND WOOD PRODUCTS AT PRICES BELOW CURRENT MARKET LEVELS. BECAUSE OF FOREIGN EXCHANGE CONTROLS, BELOW- MARKET PRICES COULD REPRESENT EXPORTER-IMPORTER CONNIVANCE TO ILLEGALLY SALT AWAY FOREIGN EXCHANGE EARNINGS OVERSEAS. HOWEVER, ONCE CENTRAL BANK SATISFIED THAT SALE REQUIRED BY PRIOR CONTRACT, EXPORT AUTHORIZATION APPARENTLY BEING GRANTED. WE DO NOT AT THIS POINT HAVE REPORTS OF PHILIPPINE COMPANIES FAILING TO MEET CONTRACTS AND WOULD APPRECIATE SPECIFICS OF ANY INSTANCES WHICH MAY COME TO WASHINGTON' S ATTENTION.

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5. IF SELLER SHOULD DEFAULT ON FIRM CONTRACT WITH BUYER,
BUYER WOULD HAVE LEGAL RECOURSE THROUGH PHILIPPINE COURTS.
HOWEVER, JUDICIAL PROCEEDINGS IN CASES OF THIS NATURE
TEND TO BE LONG, DRAWN- OUT AFFAIRS, AND USUAL PRACTICE
IS FOR PARTIES TO REACH OUT- OF- COURT SETTLEMENT BEFORE
FINDING IS HANDED DOWN.
DECONTROL FOLLOWING 3-19-75.
BYROADE

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